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C O N F I D E N T I A L SECTION 01 OF 03 SHENYANG 000123

SIPDIS

E.O. 12958: DECL: TEN YEARS AFTER KOREAN UNIFICATION  
TAGS: [PREL](#) [PGOV](#) [EWWT](#) [ENRG](#) [KN](#) [KS](#) [JA](#) [RS](#) [CH](#)  
SUBJECT: POOR DPRK ATTENDANCE, SOME SHIPPING NEWS, AT  
NORTHEAST ASIAN MEETS

Classified By: CONSUL GENERAL STEPHEN B. WICKMAN.  
REASONS: 1.4(b)/(d).

¶1. (C) SUMMARY: Pyongyang's delegation to the Northeast Asia Investment and Trade Expo, held last week in Jilin Province, appeared smaller than last year's. North Korean diplomats at the expo privately praised China's grain harvest, with one claiming the DPRK's crop was also "good." In a keynote speech, PRC Vice Premier Wang Qishan was vague but promoted energy as a "strategic focus." In experts' sessions, PRC scholars evinced disappointment with Moscow's energy policy, while proposals for regional cooperation in energy/logistics pointedly excluded the DPRK. The expo saw the inking of a PRC-Russia-ROK-Japan agreement to open an added shipping corridor through the Sea of Japan, a plan already hamstrung by poor demand and cooperation. The corridor was also discussed a week before at a revived Tumen River expo, held jointly with another regional event in China's Yanbian Korean Autonomous Prefecture. The North Koreans were no-shows at these events, but interest there in software and other collaboration with the DPRK was high.  
END SUMMARY.

¶2. (U) CG and Congenoffs traveled September 1-3 to Changchun, capital of Jilin Province, for the fourth annual Northeast Asia Investment and Trade Expo--what has become the premier trade event in northeast China for China, Japan, Russia and the two Koreas. The CG and Congenoff traveled to Yanji, seat of Jilin's Yanbian Korean Autonomous Prefecture, for two smaller regional expos August 26-28.

THE NORTH KOREANS AT THE MAJOR NORTHEAST ASIA EXPO  
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¶3. (SBU) North Korean officials proved the lone regional holdouts from much of the Northeast Asia Trade Expo's official summitry, which this year focused on Northeast Asian cooperation in energy and logistics. Heading the North Korean delegation to the expo's September 1 "high-level forum" was Ministry of Trade Foreign Economic Cooperation Bureau chief CHOI Yon, who unlike all the other Northeast Asian representatives did not deliver remarks. No North Korean scholars attended the more substantive experts' workshop on regional energy/logistics collaboration. A Chinese participant based at the Jilin Academy of Social Sciences, which hosted the session, told us the North Korean side declined the Chinese invitation to participate, citing the need to stay in Pyongyang to prepare for the DPRK's 60th anniversary celebration.

¶4. (SBU) North Korean Consul General RI Gi-beom told Jilin Party Secretary WANG Min September 1 that the Northeast Asia Trade Expo attracts the largest North Korean

contingent of any trade show in China. Evidence, however, seemed to indicate otherwise. Unlike any of the other country pavilions, the DPRK's introductory pavilion had no staff or promotional literature, and within the expo itself, fewer North Korean firms appeared to participate compared to last year. A walk-through of the North Korean trade stalls on September 2 suggested roughly half the number of participants last year. Goods on offer canted heavily toward minerals/mining, seafood and herbal medicines. A small sampling of DPRK participants: the Taedonggang Trading Corporation; the Korea Sungri Joint Venture Company; the Korea Ferrous Metals Export-Import Corporation; the Kumsan Joint Venture Company; and the Pyongyang Thosong Pharmaceutical Export Factory. On offer to passers-by at one stall was the most recent issue of "Foreign Trade of the (DPRK)," which featured advertisements for everything from stainless steel tubes and SUVs by the Peace Motors Corporation to mining tools and roofing tiles.

15. (C) Shenyang-based North Korean diplomats repeatedly raised grain issues during meetings for the diplomatic corps hosted by Chinese officials. Meeting with Jilin Party chief Wang Min, for instance, North Korean Consul General Ri praised the province's "beautiful" corn crop, which he had viewed with satisfaction along the four-hour drive from Shenyang. Ri claimed the healthy harvest was "important" during this period of shortages and rising grain prices. Another North Korean diplomat reprised the theme at a September 2 luncheon, when he suddenly announced to our Chinese hosts, unsolicited, that North Korea's grain

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crop this year has been "good."

NORTHEAST ASIA: INTEGRATION AND ITS DISCONTENTED?  
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16. (SBU) Northeast Asian officials at the expo's keynote "high-level forum" (the second such event) repeatedly cited the need for regional cooperation and coordination on energy, infrastructure development and logistics, but proffered little in the way of implementing measures beyond vague generalities. PRC Vice Premier WANG Qishan, for instance, said deepening cooperation with Northeast Asian neighbors on energy/resources would be a "strategic focus" for the future but stopped short of proposing practical steps.

17. (SBU) Most notable at the more substantive follow-up workshop for Northeast Asian experts was what was explicitly left unsaid. Numerous Chinese scholars evinced, with varying degrees of obliqueness, frustration with the state of Russian cooperation on energy. This stood in contrast with the Russian representative's sunny view of healthy PRC-Russia strategic energy cooperation, which he argued would only deepen in the Medvedev era. Notable too in comments by Chinese, South Korean and Japanese scholars was considerable dismay with the DPRK's unhelpful role in regional collaboration. Most of their ambitious proposals for regional energy cooperation--ranging from a shared Northeast Asian energy reserve to collective bargaining with oil-producing nations and a common regional energy market--pointedly excluded the DPRK.

NEW PRC-RUSSIA-ROK-JAPAN SHIPPING CORRIDOR: IMPLICATIONS  
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18. (SBU) Beyond the USD 15 billion in trade/investment contracts signed during the event, one of the few substantive cooperative deliverables was the inking of a quadripartite PRC-Russia-ROK-Japan agreement on a transport corridor through the Sea of Japan. The new cargo and passenger route will link the PRC's Hunchun by rail/bus with Russia's far eastern port of Zarubino, just slightly

southwest of Vladivostok; outbound freight will then enjoy direct sea connections to the ROK's Sokcho and Japan's Niigata. Initial press reports hailed the route, to be opened in March 2009 and operated by way of an ROK-majority quadripartite joint venture, as a landmark agreement that will slash transport times and costs.

¶9. (SBU) Northeast China's landlocked Jilin and Heilongjiang provinces would appear, a priori, to be beneficiaries of this venture: the new route theoretically spares them the burden of first shipping Japan/ROK-bound goods by land to the sea ports of Dalian or Dandong for outbound shipping. Jilin and Heilongjiang, after all, lack--and remain in strategic pursuit of--an outlet to the Sea of Japan, a point emphasized repeatedly by Chinese officials at the expo from Jilin Party Secretary Wang Min down. But the agreement, for which a framework was signed two years ago, may be less than meets the eye. For all practical purposes, the new route appears merely to extend to Japan the extant Dongchun Shipping Line, the cargo/passenger ferry that since 2000 has sporadically linked Hunchun and Zarubino with Sokcho, in northeastern South Korea.

¶10. (C) Difficulties appear likely to confront the shipping corridor. An official in Jilin's Yanbian--home to Hunchun--pointed out the most serious challenge: generating sufficient demand. To date, the Dongchun line to Sokcho has encountered a shortage of cargo--and thus profit, explained the official by phone September 5. (A paucity of cargo has also required underweight Dongchun vessels to cling close to coastlines in order avoid ocean turbulence, which in turn has led to "trouble" from North and South Korean naval forces, he added.) Insufficient demand for the Dongchun route is likely to mean the same for the new extended route to Niigata, speculated the official, who dubbed the agreement a "vanity project" ("mianzi gongcheng"). Shipping fees remain another potential area of concern. The Dongchun line temporarily suspended operations earlier this year after Russia--citing growing costs--demanded a massive increase in fees, according to online reports by the Yanbian and Hunchun governments.

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PRC-ROK-Russia negotiations eventually settled the issue, but a new agreement will need to be re-explored when it expires at the end of the year.

#### REGIONAL EXPOS IN YANBIAN

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¶11. (SBU) A Dongchun Shipping representative also made a presentation at the Fourth Tumen River International Trade and Investment Expo, which has been dormant since 2004. The expo, held in Yanji, was revived this year and held jointly with the Second Annual Yanji International Trade and Investment Expo. One notable attendee was Sung L. Kim of the Federation of Korean Associations ([www.koreanfedus.org](http://www.koreanfedus.org)), who led a large group of Korean-American business representatives scouting somewhat skeptically for opportunities. Also notable was Dr. Chan-Mo Park, a member of the yet-to-be opened Pyongyang University of Science and Technology's Committee of Founding Members. Park is a frequent traveler to Yanbian and has worked for years to foster cooperation with North Korean software engineers. He is also a Special Advisor for Science and Technology to South Korean President Lee Myung-bak, a former President of the Pohang University of Science and Technology (POSTECH) and an American citizen.

¶12. (C) The North Koreans, however, were no-shows at both Yanbian expo events. Yanbian Vice Governor XIMEN Shuji told the CG that all the invited local North Korean officials and business representatives wanted to attend but that Pyongyang's central authorities would not give them permission. He claimed they were only allowed to attend

the far larger Changchun event. Regardless, regional presentations about the development of the Tumen River area were decidedly lackluster and, as usual at such fora in China, there was almost no discussion allowed in the formal sessions.

SWICKMAN